# FISCAL NOTE

# HB 2963 - SB 3535

February 22, 2008

**SUMMARY OF BILL:** Creates the Homeowner's Emergency Mortgage Assistance Fund (HEMAF). Requires the Tennessee Housing Development Agency (THDA) to implement and administer a revolving-loan program for the purpose of helping certain eligible individuals avoid foreclosure actions on their residential mortgages. Such revolving loans are to be made from funds within the HEMAF.

## ESTIMATED FISCAL IMPACT:

**Other Fiscal Impact – In order to implement the program as proposed, a minimum of $195,000,000 in state funds will need to be appropriated to the Homeowner's Emergency Mortgage Assistance Fund. Such amount is assumed to be sufficient for start-up expenditures incurred by THDA to launch the program and for resolving current mortgagor delinquency. However, more will be required if future delinquency is taken into consideration.**

Assumptions:

- The fiscal impact of this bill is dependent upon multiple unknown factors such as the number of mortgagors currently being foreclosed on, the number that will be foreclosed on in the future, the extent of their delinquencies, the availability of capital for the program as proposed, the ability of such delinquent mortgagors to repay the loans entered into as a result of this bill, and the probability that such loans will be paid-in-full.
- According to THDA, and based on Mortgage Banker Association data, there were 12,223 mortgages delinquent for more than 30 thirty days, but less than 60 days in the third quarter of 2007; an additional 16,471 were delinquent for at least 60 days, but less than 90 days; an additional 27,568 were delinquent for more than 90 days. The average mortgage payment for these mortgages was approximately $1,316 per month.

- The total amount of delinquent payments for third quarter 2007 is estimated to be $168,275,600 [(12,223 x $1,316) + (16,471 x $1,316 x 2 months) + (27,568 x $1,316 x 3 months) = $168,275,604].
- Fifteen percent increase in delinquent mortgage payments since third quarter of 2007.
- Adjusted delinquent payments are conservatively estimated to be $193,500,000 ($168,275,600 x 115% = $193,516,940).
- THDA will not be able to secure adequate capital from traditional sources for this program given extremely high investment risk, the high probability of non-repayment associated with the loans being made under this program as a result of the proposed rate of interest and the $25 minimum payment provision. As a result, it is assumed an appropriation of state funds will be required.
- Given this bill is dependent upon multiple unknown factors, determining a precise fiscal estimate is especially problematic. However, it is reasonably estimated that at least $195,000,000 will be required to implement the program. This amount is assumed to be sufficient for start-up expenditures incurred by THDA to launch the program and sufficient for resolving current mortgagor delinquency. Therefore, at least $195,000,000 would need to be appropriated to the HEMAF in order to implement the program. This sum is not expected to be sufficient for future mortgage delinquency.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White

James W. White, Executive Director

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